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Nations Financial of New York, Inc.

December 20, 2009

Re: Proposed Rule: **DOCKET No: R-1366**

This letter is written in reply to the open comment period in reference to the Yield Spread Premium (hereafter referred to as YSP) practice utilized by the Mortgage Industry.

I am a self-employed mortgage broker who has been in the mortgage industry for over twenty-five years. During this time, I have witnessed many changes that have been beneficial for both the industry as well as the consumer. When I use the term industry, I am referring to the mortgage broker component that has a major impact on the ability for purchaser to become homeowners. The elimination of YSPs will remove the ability for the Mortgage Brokerage constituent to increase Homeownership throughout the Country.

Our Country's politicians continually express their constant support for "Small Business" which they believe to be the driving force in our economy. Furthermore, this was constantly evident during this past Presidential campaign. The elimination of YSP would devastate these businesses; in addition to increasing the cost of borrowing to the consumer.

The reasoning supporting my statements is as follows:

- The current mortgage financing structure allows the consumer to include the cost of obtaining the loan into the interest rate of the mortgage. This affords the ability for the client to purchase a home with less money out of pocket. These costs include, but are not limited to, the appraisal, Taxes (State, County, and/or City), title insurance, recording fees, attorney, settlement company costs, and lender fees (application, underwriting, processing, document preparation, credit report, etc.).
- Under the present structure, the lenders (mostly large financial institutions) discount the cost of the mortgage to the mortgage brokerage industry. This practice is done and supported by the fact that the Lender incurs less costs associated with the loan. They do not have to compensate a loan officer, spend marketing dollars, and most importantly, their personnel costs from the start of the loan through closing.

- Under the new proposal, the YSP contained in the loan will stay with the bank. Consequently, this would greatly reduce the competition within the mortgage industry which in turn will raise costs to the consumer. This enables the banks to raise the rate of their zero point loans do to the decreased competition as a result of the borrower's limited options for financing.
- I have worked for banking institutions in the past and it is common knowledge how they compensate their salespeople. The sales managers are constantly pushing their loan officer to increase borrower's rate which in turn increases everyone's commission. This ideology is so commonplace, that the New York State Banking Department and the Department of HUD reviews the interest rates of Lenders to ensure that there is not any bias taking place. Less competition can only amplify these actions causing increased costs to consumers.
- All of the monies paid to the mortgage broker is clearly illustrated in the many disclosures and acknowledged by the borrower. These disclosures include the Pre-application disclosure, the Fee Agreement, the Good Faith Estimate and the HUD-1. On the other hand, Bankers and other lending institutions do not have to disclose any monies pertaining to the YSP they receive from the secondary market. Why is it that the Bankers can receive premiums when the sell "Broker" the loan and the Mortgage Broker can not. This puts the Mortgage Broker, who may very well be a small company, at a grave disadvantage.
- The Mortgage Broker provides services to the borrower(s) which includes finding the lender that will provide the borrower with financing along with the least costs. This also saves the consumer from spending numerous application fees, processing and appraisal fees. The HVCC (Home Valuation Code of Conduct) further enables the banks to keep borrowers from shopping rates since they do not assign the appraisals nor do they accept appraisals from other Banks. The HVCC is in the process of being eliminated do to its hampering of Mortgage Brokers to increase competition and its increased costs to the consumer. These are the same effect that the YSP ruling would have on consumers.

I urge you to NOT PASS this new YSP ruling and to continue to allow consumers multiple options for their home financing needs. These options include the role of the Mortgage Broker. The utilization of a Mortgage Broker enables consumers to have access to many lenders, save monies and most of all increase competition within the industry which in turn lowers costs to the consumer.

Thank you very much,
Yours truly,

Peter Cirillo